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**Department of Finance
and Administration**

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MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for August (FY 2007)**

DATE: September 5, 2006 Copy: Governor's Office
Management Services

AUGUST and YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total \$722.6 million. This amount is \$77.9 million or 12.1 percent above last year and \$20.4 million or 2.9 percent above the general revenue forecast of May 3, 2006. The amount above forecast is due primarily to above average growth in gross receipts collections combined with a nonrecurring item in corporate income tax collections. Income tax refunds are also off substantially.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$796.9 million, representing an increase of \$46.1 million or 6.1 percent above last year. Gross general revenues are \$14.7 million or 1.9 percent above the general revenue forecast of May 3, 2006.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$325.0 million, \$20.9 million or 6.9 percent above FY 2006 collections and \$2.6 million or 0.8 percent below forecast. Collections growth for individual monthly withholding is up 8.3 percent over year ago levels.

Year-to-date individual income tax refunds total \$14.2 million, down \$5.3 million or 27.1 percent compared to last year and \$4.9 million or 25.9 percent below forecast.

Year-to-date Gross Receipts Collections: Gross receipts consist of sales and use taxes, the 10 percent mixed drink tax, and the alcoholic beverage excise tax. On a year-to-date basis, gross receipts total \$376.1 million, an increase of \$25.7 million or 7.3 percent above FY 2006 and \$4.7 million or 1.3 percent above forecast. Growth in this large component of revenues has been decelerating from unusually high rates in recent years.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$34.9 million, a decrease of \$1.5 million or 4.2 percent below year-to-date FY 2006. The decline is attributable to a nonrecurring item in the comparable year ago period.

Year-to-date corporate income tax refunds total \$1.8 million, down \$1.1 million or 38.6 percent from the comparable year-to-date period last year and \$0.9 million or 33.2 percent below forecast.

AUGUST REVENUE SUMMARY

August Net Available General Revenues total \$344.2 million, \$3.3 million or 1.0 percent above last year and \$16.6 million or 5.0 percent above forecast.

August Gross General Revenues: August collections total \$395.8 million, an increase of \$2.1 million or 0.5 percent above last year and \$11.6 million or 3.0 percent above forecast.

August Individual Income Tax collections total \$151.1 million. Collections decreased by \$1.1 million, or 0.7 percent, compared to last year. With respect to the forecast, collections are \$4.4 million or 2.8 percent below forecast. The low growth rate in collections is due to a shift in income tax withholding payments compared to last month and last year. Collections in August were partially offset by the double-digit percentage gain in July's collections. The collections shift is further offset by a decline in refunds this month.

August Gross Receipts Collections: August collections total \$189.2 million, an increase of \$9.1 million or 5.1 percent over last year. Collections are above monthly forecast levels by \$4.4 million or 2.4 percent.

August Corporate Income Tax collections total \$14.6 million, a decrease of \$6.9 million or 32.2 percent over year earlier levels, and \$9.8 million or 203 percent above forecast. The absolute decline was caused by nonrecurring gains in the year ago August collections. This nonrecurring impact was anticipated in the forecast.

August Tobacco Tax collections, a smaller component of general revenue, total \$13.8 million or 4.9 percent above year earlier levels. The significant gain in tobacco tax collections can be attributed to uneven patterns of stamp sales by wholesale purchasers and selected cross border sales effects.

SPECIAL REVENUES OF NOTE

Year-to-date Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$8.5 million, an increase of \$245 thousand or 3.0 percent above last year.

Educational Adequacy Fund: Act 107 of the Second Extraordinary Session of 2003 increased the state sales and use tax rate from 5.125% to 6.0%, effective March 1, 2004. Effective July 1, 2004 a new sales tax on selected services went into effect in addition to an increase in vending machine decal fees. Act 94 increased the minimum corporate franchise tax and the tax rate, effective for calendar years beginning January 1, 2004.

The additional revenues are deposited as special revenues to the Educational Adequacy Fund to be used to fulfill the financial obligations of the state to provide an adequate educational system. In August 2006, \$38.1 million was collected and deposited to the fund. After deductions, the net amount is \$37.0 million. Year-to-date net collections total \$73.9 million, compared to \$69.6 million last year.

YEAR TO DATE REPORT, AUGUST 2006
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DF&A)

THROUGH - AUGUST -- 2006
2 Months YTD
Forecast Date: 05/03/06

MILLIONS OF DOLLARS

	ACTUAL FY 2006	FORECAST FY 2007	INCREASE		ACTUAL FY 2006	ACTUAL FY 2007	INCREASE		ACTUAL AS % OF FORECAST
			AMOUNT	PERCENT			AMOUNT	PERCENT	
INDIVIDUAL INCOME	304.0	327.6	23.6	7.8	304.0	325.0	20.9	6.9	99.2
ESTATE ¹	0.7	0.0	-0.7	-100.0	0.7	-0.2	-0.9	-131.1	0.0
CORPORATE INCOME	36.4	23.9	-12.5	-34.3	36.4	34.9	-1.5	-4.2	145.8
GROSS RECEIPTS ²	350.4	371.4	21.0	6.0	350.4	376.1	25.7	7.3	101.3
ALCOHOLIC BEVERAGE ³	4.3	4.4	0.1	1.6	4.3	4.5	0.2	4.9	103.2
TOBACCO	24.9	24.3	-0.6	-2.3	24.9	25.4	0.5	2.1	104.6
INSURANCE	21.2	21.5	0.3	1.5	21.2	20.6	-0.6	-2.8	95.7
RACING	0.7	0.8	0.1	15.0	0.7	0.9	0.2	26.9	110.4
MISCELLANEOUS ⁴	8.3	8.4	0.1	1.1	8.3	9.8	1.5	18.1	116.8
TOTAL GROSS	750.8	782.3	31.4	4.2	750.8	796.9	46.1	6.1	101.9
PLUS:									
PROP. TAX RELIEF TR. FUND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE ALLOTMENT RESERVE	0.0	34.0	34.0	0.0	0.0	34.0	34.0	0.0	100.0
LESS: SCSF/COF ⁵	22.5	23.5	0.9	4.2	22.5	23.9	1.4	6.2	101.9
IND INCOME TAX REFUNDS	19.4	19.1	-0.3	-1.7	19.4	14.2	-5.3	-27.1	74.1
CORP INCOME TAX REFUNDS	2.9	2.7	-0.2	-8.1	2.9	1.8	-1.1	-38.6	66.8
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.0	2.8	1.8	168.9	1.0	3.4	2.3	224.9	120.8
WATER/SEWER/COLLEGE BONDS	0.0	1.4	1.4	0.0	0.0	0.2	0.2	0.0	14.3
CITY/CO. TOURIST	1.8	1.8	0.0	-0.7	1.8	1.8	0.0	0.0	100.6
SCHOOL DESEGREGATION	9.8	11.0	1.2	12.2	9.8	11.0	1.2	12.2	100.0
EDUCATIONAL EXCELLENCE	44.2	47.2	3.0	6.7	44.2	47.5	3.2	7.3	100.5
EDUCATIONAL ADEQUACY	3.9	4.2	0.3	7.4	3.9	4.2	0.3	7.3	99.9
ELDERLY TRANSPORTATION	0.4	0.4	0.0	1.8	0.4	0.4	0.0	-3.9	94.4
NET AVAILABLE	644.8	702.2	57.4	8.9	644.8	722.6	77.9	12.1	102.9

REVENUE FORECAST SUMMARY FOR AUGUST

YEAR-TO-DATE GROSS	\$ 14.7 MILLION OR 1.9% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 5.8 MILLION OR 26.8% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 20.4 MILLION OR 2.9% ABOVE FORECAST

MEDICAID PROGRAM TRUST FUND (SOFT DRINK EXCISE TAX)	<u>YTD FY 06</u> 8.3	<u>YTD FY 07</u> 8.5	<u>% CHANGE</u> 3.0
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT)	<u>YTD FY 06</u> 69.6	<u>YTD FY 07</u> 73.9	<u>% CHANGE</u> 6.2

- 1) Effective January 1, 2005, the federal estate tax credit is abolished, effectively ending state tax collections in FY06.
- 2) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and whsl vending taxes.
- 3) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 4) Miscellaneous includes severance, corporate franchise, real estate transfer, and various other miscellaneous taxes.
- 5) State Central Services Fund and Constitutional Officers Fund. An additional 0.4% is deducted in the months of October 2005 - June 2006.

AUGUST GENERAL REVENUE REPORT
(ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)
(682-1688 for further information)

August 31, 2006
Days Remaining: 0
Forecast date: 5/03/06

MILLIONS OF \$

CURRENT MONTH TO DATE

	ACTUAL FY 2006	FORECAST FY 2007	CHANGE AMOUNT	PERCENT	ACTUAL FY 2006	ACTUAL FY 2007	CHANGE AMOUNT	PERCENT	ACTUAL AS A % OF FORECAST
INDIVIDUAL INCOME	152.3	155.5	3.2	2.1	152.3	151.1	-1.1	-0.7	97.2
ESTATE ¹	0.3	0.0	-0.3	-100.0	0.3	0.1	-0.3	-79.5	0.0
CORPORATE INCOME	21.5	4.8	-16.7	-77.7	21.5	14.6	-6.9	-32.2	303.2
GROSS RECEIPTS ²	180.1	184.8	4.7	2.6	180.1	189.2	9.1	5.1	102.4
ALCOHOLIC BEVERAGE ³	1.8	1.9	0.1	2.8	1.8	2.0	0.2	8.5	105.5
TOBACCO	13.2	12.7	-0.5	-3.6	13.2	13.8	0.6	4.9	108.8
INSURANCE	20.6	20.9	0.3	1.3	20.6	20.2	-0.5	-2.2	96.5
RACING	0.4	0.4	0.0	2.5	0.4	0.4	0.0	11.8	109.1
MISCELLANEOUS ⁴	3.5	3.2	-0.3	-9.0	3.5	4.4	1.0	27.6	140.2
TOTAL GROSS	393.7	384.2	-9.5	-2.4	393.7	395.8	2.1	0.5	103.0
PLUS:									
PROP. TAX RELIEF TR. FUND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
REV. ALLOTMENT RESERVE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LESS: 3% (SCSF/COF) ⁵	11.8	11.5	-0.3	-2.4	11.8	11.9	0.1	0.5	103.0
IND INC TAX REFUNDS	8.8	10.1	1.3	15.1	8.8	6.7	-2.0	-23.1	66.8
CORP INC TAX REFUNDS	2.5	1.9	-0.6	-25.4	2.5	1.1	-1.5	-58.5	55.6
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.4	1.4	1.0	216.2	0.4	0.8	0.4	79.4	56.7
WTR/SWR/COLLEGE BONDS	0.0	0.7	0.7	0.0	0.0	0.1	0.1	0.0	14.3
CITY & COUNTY TOURIST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SCHOOL DESEGREGATION	4.9	5.0	0.1	2.0	4.9	5.0	0.1	2.0	100.0
EDUCATIONAL EXCELLENCE	22.1	23.6	1.5	6.7	22.1	23.7	1.6	7.3	100.5
ELDERLY TRANSPORTATION	0.2	0.2	0.0	-1.4	0.2	0.2	0.0	1.6	103.1
EDUCATIONAL ADEQUACY	2.0	2.1	0.1	7.4	2.0	2.1	0.1	7.3	99.9
NET AVAILABLE	340.9	327.6	-13.3	-3.9	340.9	344.2	3.3	1.0	105.0

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Aug 05</u> 35.4	<u>Aug 06</u> 37.0	<u>% CH</u> 4.6
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